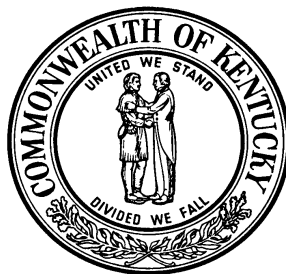


**REPORT OF THE AUDIT OF THE
BARREN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BARREN COUNTY FISCAL COURT

June 30, 2009

The Auditor of Public Accounts has completed the audit of the Barren County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and aggregate remaining funds financial statements of Barren County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$9,723,591 as of June 30, 2009. The fiscal court had unrestricted net assets of \$1,834,679 in its governmental activities as of June 30, 2009, with total net assets of \$9,645,534. In its business-type activities, total net cash and cash equivalents were \$35,764 with total net assets of \$78,057. The fiscal court had total debt principal as of June 30, 2009 of \$8,083,043 with \$377,029 due within the next year.

Report Comments:

- 2009-1** The Fiscal Court Lacks An Adequate Segregation Of Duties Over Payroll
- 2009-2** The Fiscal Court Should Improve Procedures Over Capital Assets
- 2009-3** The Library Board Should Improve Controls Over Reconciliations
- 2009-4** The Library Board Should Improve Internal Controls Over Expenditures
- 2009-5** The Library Board Should Require Time Records For All Employees
- 2009-6** The Jail Canteen Fund Lacks Adequate Segregation Of Duties

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Davie D. Greer, Barren County Judge/Executive
Members of the Barren County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining funds of Barren County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Barren County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Barren County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining funds of Barren County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The County has not presented the management's discussion and analysis that the Government Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Davie D. Greer, Barren County Judge/Executive
Members of the Barren County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Barren County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2010, on our consideration of Barren County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Based on the results of our audit, we present the following comments and recommendations, included herein, which discusses the following report comments:

- 2009-1** The Fiscal Court Lacks An Adequate Segregation Of Duties Over Payroll
- 2009-2** The Fiscal Court Should Improve Procedures Over Capital Assets
- 2009-3** The Library Board Should Improve Controls Over Reconciliations
- 2009-4** The Library Board Should Improve Internal Controls Over Expenditures
- 2009-5** The Library Board Should Require Time Records For All Employees
- 2009-6** The Jail Canteen Fund Lacks Adequate Segregation Of Duties

Respectfully submitted,



Crit Luallen
Auditor of Public Accountants

May 4, 2010

BARREN COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Davie D. Greer	County Judge/Executive
Billy Houchens	Magistrate
Rickey Spillman	Magistrate
Carl H. Dickerson	Magistrate
Thomas Matthews	Magistrate
Howard N. Bowman, Jr.	Magistrate
Charles Allen	Magistrate
Carlie Coe, Jr.	Magistrate

Other Elected Officials:

Jeff Sharp	County Attorney
Leland Cox	Jailer
Joanne London	County Clerk
Chris Eaton	Sheriff/Acting Jailer
Brad Bailey	Property Valuation Administrator
Michael T. Swift	Coroner

Appointed Personnel:

Denise Riddle	County Treasurer
Nancy Houchens	Payroll Officer
Sherry J. Jones	Finance Officer
Matt Mutter	Appointed By Acting Jailer To Run Jail

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BARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

BARREN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Barren County Library Board
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,896,495	\$ 35,764	\$ 1,932,259	\$ 1,252,502
Investments	638,499		638,499	
Total Current Assets	<u>2,534,994</u>	<u>35,764</u>	<u>2,570,758</u>	<u>1,252,502</u>
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	1,275,357		1,275,357	
Construction In Progress	837,416		837,416	
Buildings	8,186,334		8,186,334	
Other Equipment	1,153,995		1,153,995	10,965
Vehicles and Equipment	689,231	42,293	731,524	
Infrastructure Assets	3,051,250		3,051,250	
Total Noncurrent Assets	<u>15,193,583</u>	<u>42,293</u>	<u>15,235,876</u>	<u>10,965</u>
Total Assets	<u>17,728,577</u>	<u>78,057</u>	<u>17,806,634</u>	<u>1,263,467</u>
LIABILITIES				
Current Liabilities:				
Bonds Payable	155,000		155,000	
Revenue Bonds Payable	200,000		200,000	
Financing Obligations Payable	37,993		37,993	
Total Current Liabilities	<u>392,993</u>		<u>392,993</u>	
Noncurrent Liabilities:				
Bonds Payable	2,090,000		2,090,000	
Revenue Bonds Payable	5,110,000		5,110,000	
Financing Obligations Payable	490,050		490,050	
Total Noncurrent Liabilities	<u>7,690,050</u>		<u>7,690,050</u>	
Total Liabilities	<u>8,083,043</u>		<u>8,083,043</u>	
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	7,110,540	42,293	7,152,833	10,965
Restricted For:				
Endowment Fund - Nonexpendable				20,000
Capital Projects	606,054		606,054	
Debt Service				
Unrestricted	1,928,940	35,764	1,964,704	1,232,502
Total Net Assets	<u>\$ 9,645,534</u>	<u>\$ 78,057</u>	<u>\$ 9,723,591</u>	<u>\$ 1,263,467</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

BARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,575,953	\$ 124,248	\$ 2,604,729	\$ 145,697
Protection to Persons and Property	3,220,622	908,192	322,945	437,170
General Health and Sanitation	725,988			
Social Services	98,963	9,350		36,646
Recreation and Culture	668,822		29,550	
Roads	959,219		1,688,837	
Capital Projects	46,013			
Debt Service	503,409			
Total Governmental Activities	10,798,989	1,041,790	4,646,061	619,513
Business-type Activities:				
Jail Canteen	404,842	370,482		
Total Business-type Activities	404,842	370,482		
Total Primary Government	\$ 11,203,831	\$ 1,412,272	\$ 4,646,061	\$ 619,513
Component Unit:				
Barren County Library Board	\$ 1,013,808	\$ 9,730	\$ 39,501	\$

General Revenues:

Taxes:
Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
County Library Tax
In Lieu Tax
Other Taxes
Interest Income
Miscellaneous Revenues
Capital Asset Purchased by the Sheriff's Drug Fund
Gain on Asset Traded-In
Total General Revenues
Change in Net Assets
Net Assets - Beginning (Restated)
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Barren County Library Board
\$ (1,701,279)	\$	\$ (1,701,279)	\$
(1,552,315)		(1,552,315)	
(725,988)		(725,988)	
(52,967)		(52,967)	
(639,272)		(639,272)	
729,618		729,618	
(46,013)		(46,013)	
(503,409)		(503,409)	
(4,491,625)		(4,491,625)	
	(34,360)	(34,360)	
	(34,360)	(34,360)	
\$ (4,491,625)	\$ (34,360)	\$ (4,525,985)	
			\$ (964,577)
2,148,544		2,148,544	
275,377		275,377	
334,285		334,285	
539,736		539,736	
122,062		122,062	
662,908		662,908	678,742
57,914		57,914	25,267
326,684		326,684	100,353
6,400		6,400	
10,671		10,671	
4,484,581		4,484,581	804,362
(7,044)	(34,360)	(41,404)	(160,215)
9,652,578	112,417	9,764,995	1,423,682
\$ 9,645,534	\$ 78,057	\$ 9,723,591	\$ 1,263,467

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Barren County Government Center Construction Fund
ASSETS				
Cash and Cash Equivalents	\$ 1,186,176	\$ 60,250	\$ 111,318	\$ 84,054
Investments				522,000
Total Assets	<u>1,186,176</u>	<u>60,250</u>	<u>111,318</u>	<u>606,054</u>
FUND BALANCES				
Reserved for:				
Encumbrances	46,971	21,405	15,236	
Construction - Bond Proceeds				606,054
Debt Service Requirements				
Unreserved:				
General Fund	1,139,205			
Special Revenue Funds		38,845	96,082	
Total Fund Balances	<u>\$ 1,186,176</u>	<u>\$ 60,250</u>	<u>\$ 111,318</u>	<u>\$ 606,054</u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Glasgow/Barren County Public Library Corporation	Non-Major Governmental Funds	Total Governmental Funds
\$ 279,579	\$ 175,118	\$ 1,896,495
	116,499	638,499
<u>279,579</u>	<u>291,617</u>	<u>2,534,994</u>
	745	84,357
		606,054
		1,139,205
<u>279,579</u>	<u>196,611</u>	<u>611,117</u>
<u>\$ 279,579</u>	<u>\$ 197,356</u>	<u>\$ 2,440,733</u>

Reconciliation to the Statement of Net Assets:

Total Fund Balances	\$ 2,440,733
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And, Therefore, Are Not Reported In The Funds.	19,462,594
Accumulated Depreciation	(4,269,011)
Long-term Debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Due Within One Year - Bond and Financing Obligation Principal Payments	(392,993)
Due In More Than One Year - Bond and Financing Obligation Principal Payr	<u>(7,690,050)</u>
Net Assets Of Governmental Activities	<u>\$ 9,551,273</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Barren County Government Center Construction Fund
REVENUES				
Taxes	\$ 3,906,676	\$	\$	\$
In Lieu Tax Payments	122,062			
Licenses and Permits	124,248			
Intergovernmental	3,138,596	1,597,265	951,084	
Charges for Services			153,503	
Miscellaneous	148,956	10,602	139,291	
Interest	21,174	2,783	460	26,166
Total Revenues	<u>7,461,712</u>	<u>1,610,650</u>	<u>1,244,338</u>	<u>26,166</u>
EXPENDITURES				
General Government	2,941,948			
Protection to Persons and Property	1,800,286		1,420,530	
General Health and Sanitation	758,185			
Social Services	88,970			
Recreation and Culture	562,883			
Roads		1,604,321		
Debt Service	165,233		5,449	
Capital Projects	350,000		3,292	
Administration	991,423	195,594	461,189	15
Total Expenditures	<u>7,658,928</u>	<u>1,799,915</u>	<u>1,890,460</u>	<u>15</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(197,216)</u>	<u>(189,265)</u>	<u>(646,122)</u>	<u>26,151</u>
Other Financing Sources (Uses)				
Transfers Out	(1,148,520)		(78,235)	
Transfers In		18,500	750,000	
Bond Proceeds				
Discount on Issuance				
Borrowed Money	500,000			
Total Other Financing Sources (Uses)	<u>(648,520)</u>	<u>18,500</u>	<u>671,765</u>	
Net Change in Fund Balances	(845,736)	(170,765)	25,643	26,151
Fund Balances - Beginning (Restated)	2,031,912	231,015	85,675	579,903
Fund Balances - Ending	<u>\$ 1,186,176</u>	<u>\$ 60,250</u>	<u>\$ 111,318</u>	<u>\$ 606,054</u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Glasgow/Barren County Public Library Corporation	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 3,906,676
		122,062
		124,248
29,550	353,235	6,069,730
	9,746	163,249
	32,148	330,997
1,068	6,261	57,912
30,618	401,390	10,774,874
	7,768	2,949,716
	2,251	3,223,067
		758,185
	9,993	98,963
	112,984	675,867
	104,178	1,708,499
91,002	612,150	873,834
880,137		1,233,429
	17,810	1,666,031
971,139	867,134	13,187,591
(940,521)	(465,744)	(2,412,717)
	(18,500)	(1,245,255)
	476,755	1,245,255
1,245,000		1,245,000
(24,900)		(24,900)
		500,000
1,220,100	458,255	1,720,100
279,579	(7,489)	(692,617)
	299,106	3,227,611
\$ 279,579	\$ 291,617	\$ 2,534,994

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BARREN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (692,617)
--	--------------

Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement of Activities, The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	2,638,629
Depreciation Expense	(559,152)
Disposal of Capital Assets, Net Book Value	(19,329)

The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Principal Payments Are Expenses In The Governmental Funds As A Use Of Current Financial Resources. These Transactions, However, Have no Effect on Net Assets.

Financing Obligation Proceeds	(500,000)
Revenue Bond Issuance	(1,245,000)
Financing Obligations Principal Payments	50,425
Revenue Bond Principal Payments	170,000
General Obligation Bond Principal Payments	<u>150,000</u>

Change in Net Assets of Governmental Activities	<u>\$ (7,044)</u>
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BARREN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

BARREN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 35,764
Total Current Assets	<u>35,764</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles and Equipment	80,463
Less Accumulated Depreciation	<u>(38,170)</u>
Total Noncurrent Assets	<u>42,293</u>
Total Assets	<u>78,057</u>
Fund Net Assets	
Invested in Capital Assets, Net of Related Debt	42,293
Unrestricted	<u>35,764</u>
Total Net Assets	<u><u>\$ 78,057</u></u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BARREN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities
	Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 370,482
Total Operating Revenues	<u>370,482</u>
Operating Expenses	
Bonds	38,279
Depreciation	5,878
Fiscal Court - Fees and Salaries	274,798
Inmate Benefits	83,855
Sales Tax	2,032
Total Operating Expenses	<u>404,842</u>
Operating (Loss)	<u>(34,360)</u>
Nonoperating Revenues (Expenses)	
Inmate Pay From State	5,034
Inmate Funds	59,751
Inmate Refunds	<u>(64,785)</u>
Total Nonoperating Revenues (Expenses)	<u></u>
Change In Net Assets	(34,360)
Total Net Assets - Beginning (Restated)	<u>112,417</u>
Total Net Assets - Ending	<u><u>\$ 78,057</u></u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

BARREN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>Business-Type Activities</u>
	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts from Customers	\$ 370,482
Bonds	(38,279)
Fiscal Court - Fees & Salaries	(274,798)
Inmate Benefits	(83,855)
Sales Tax	<u>(2,032)</u>
Net Cash (Used) by Operating Activities	<u>(28,482)</u>
Cash Flows From Noncapital Financing Activities	
Inmate Pay from State	5,034
Inmate Funds	59,751
Inmate Refunds on Accounts	<u>(64,785)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u></u>
Net Increase (Decrease) in Cash and Cash Equivalents	(28,482)
Cash and Cash Equivalents - July 1, 2008 (Restate	<u>64,246</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 35,764</u></u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating (Loss)	\$ (34,360)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>5,878</u>
Net Cash (Used) By Operating Activities	<u><u>\$ (28,482)</u></u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

BARREN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Combined Agency Funds</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 7,999</u>
 Total Assets	 <u><u>7,999</u></u>
Liabilities	
Amounts Held in Custody for Others	<u>7,999</u>
 Total Liabilities	 <u><u>\$ 7,999</u></u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS – COMPONENT UNIT

June 30, 2009

BARREN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS – COMPONENT UNIT

June 30, 2009

	Library Fund	Endowment Fund	Total Barren County Library Board
ASSETS			
Cash and Cash Equivalents	\$ 1,227,126	\$ 25,376	\$ 1,252,502
Total Assets	<u>1,227,126</u>	<u>25,376</u>	<u>1,252,502</u>
FUND BALANCES			
Reserved:			
Special Revenue Funds		20,000	20,000
Unreserved:			
Special Revenue Funds	<u>1,227,126</u>	<u>5,376</u>	<u>1,232,502</u>
Total Fund Balances	<u>\$ 1,227,126</u>	<u>\$ 25,376</u>	<u>\$ 1,252,502</u>

Reconciliation to the Statement of Net Assets:

Total Fund Balances	\$ 1,252,502
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And, Therefore, Are Not Reported In The Funds.	39,857
Accumulated Depreciation	<u>(28,892)</u>
Net Assets Of Governmental Activities	<u>\$ 1,263,467</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS – COMPONENT UNIT

For The Year Ended June 30, 2009

BARREN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS – COMPONENT UNIT

For The Year Ended June 30, 2009

	Library Fund	Endowment Fund	Total Barren County Library Board
REVENUES			
Taxes	\$ 678,742	\$	\$ 678,742
Intergovernmental	39,501		39,501
Charges for Services	9,730		9,730
Miscellaneous	93,353	7,000	100,353
Interest	25,131	136	25,267
Total Revenues	<u>846,457</u>	<u>7,136</u>	<u>853,593</u>
EXPENDITURES			
Recreation and Culture	716,794		716,794
Capital Projects	<u>293,000</u>		<u>293,000</u>
Total Expenditures	<u>1,009,794</u>		<u>1,009,794</u>
Net Change in Fund Balances	(163,337)	7,136	(156,201)
Fund Balances - Beginning	1,390,463	18,240	1,408,703
Fund Balances - Ending	<u>\$ 1,227,126</u>	<u>\$ 25,376</u>	<u>\$ 1,252,502</u>

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (156,201)
Governmental Funds Report Capital Outlays As Expenditures However, In The Statement Of Activities, The Cost Of Those Assets Are Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Depreciation Expense	<u>(4,014)</u>
Change in Net Assets of Governmental Activities	<u>\$ (160,215)</u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances), if applicable.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Barren County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Barren County has one discretely presented component unit.

Blended Component Units

The following, legally separate organizations provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Barren County Public Properties Corporation

The Barren County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Barren County Public Library Corporation

The Barren County Fiscal Court appoints a voting majority of the Public Library Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Library Corporation.

Discretely Presented Component Unit

The component unit's column in the government-wide financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the Fiscal Court's primary government.

Barren County Library Board

The Barren County Library Board (the Library) provides library services for the citizens of Barren County. The Library Board's board members are appointed by the County Judge/Executive with the approval of the Barren County Fiscal Court. The Fiscal Court is legally obligated to finance the Library since the Library was established by citizen vote either through appropriation or tax levy. The Fiscal Court is also legally obligated for bonds issued to renovate the library building.

C. Barren County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Barren County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Barren County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Barren County Government Center Construction Fund - The primary purpose of this fund is the acquisition or improvement of major capital facilities. The primary source of revenue for this fund is interest earned on investments.

Glasgow/Barren County Public Library Corporation - The primary purpose of this fund is for library renovations and to service the debt issued to renovate the new library building.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Recreation Department Fund, Federal Drug Forfeiture Fund, Hiseville Cemetery Fund, Work Release Fund, Federal Technology Grant Fund, General Obligation Bond Fund, and the Public Properties Corporation.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Recreation Department Fund, Federal Drug Forfeiture Fund, Hiseville Cemetery Fund, Work Release Fund, and Federal Technology Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Barren County Government Center Construction Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds:

The General Obligation Bond Fund and the Public Properties Corporation are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Permanent Fund:

The Betty Ann Dotson and Frances Barton Endowment Fund is presented as a permanent fund. The permanent fund is used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the reporting government's programs.

The Betty Ann Dotson and Frances Barton Endowment Fund - This fund was established by Donna Dotson and Robert Dotson each committing individually a sum of \$10,000 for initial seeding of the endowment, for a total initial commitment of \$20,000. Both Donna and Robert Dotson will each pay to the Barren County Library Board the amount of \$1,000 within 30 days of the death of Betty Ann Barton Dotson. Investment earnings from the fund will be added back to the fund balance until such time that the fund balance reaches \$20,000. Once the balance has reached \$20,000, the Barren County Library Board shall once each year utilize 5% of the principal balance of the fund. The fund may be used for additions to collections of either books or periodicals, for computer and technology needs, community outreach programs, or for expansions or renovations to the library, should that occur in the future.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Enterprise Fund

The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency funds are used to account for monies held by the County in the Inmate Account Fund and Tax Escrow Funds. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

Inmate Account Fund - This fund accounts for inmate monies held by the Jailer for custodial purposes only.

Tax Escrow Fund - This fund's accounts are used to account for surplus funds received from the Sheriff. If these funds are not claimed, they will be turned over to the Kentucky State Treasurer in accordance with KRS 393.090 and KRS 393.110.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are recorded at cost and changes in fair market value of investments are not recorded.

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State and Local Finance Officer does not require a formal budget to be adopted for the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Joint Venture and Jointly Governed Organizations

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Barren County Fiscal Court: Joint City County Planning and Zoning Commission, Ambulance Service Corporation, Inc., Barren-Metcalf Emergency Communications Center, Barren County Tourism and Convention Center, Barren Information Technology Systems, and Glasgow-Barren County Animal Shelter Board (Animal Shelter).

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following are considered jointly governed organizations of the Barren County Fiscal Court: Glasgow-Barren County Industrial Development and Economic Authority (Industrial Development).

Note 2. Deposits and Investments

A. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480 (1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

A. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

As of June 30, 2009, the County had the following investments:

Investments	Maturity	Cost	Rating
Federal Home Loan Mortgage Corporatio	4/15/2037 - 12/15/2037	\$ 362,000	AA
Federal Home Loan Mortgage Corporatio	4/26/2011 - 3/15/2014	145,218	AAA
Federal Home Loan Bank Bond	10/24/2009	24,844	AAA
Federal National Mortgage Association	7/12/2013	46,437	AAA
Wachovia Mortgage		60,000	
Total		<u>\$ 638,499</u>	

Interest Rate Risk

The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

Credit Risk and Concentration of Credit Risk

KRS 66.480 limits the County's investments in the following: obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government; Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity; Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; Banker's acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency; Commercial paper rated in the highest category by a nationally recognized rating agency; Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency; Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the County is limited to investing no more than 20% in any one of the following investments as allowed by KRS 66.480: Uncollateralized certificates of deposit issued by a bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency; Banker's acceptances for banks rated in one of the three highest categories by

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Credit Risk and Concentration of Credit Risk (Continued)

a nationally recognized rating agency; Commercial paper rated in the highest category by a nationally recognized rating agency; or Securities issued by a state or local government or any other instrumentality or agency, thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. The County had no investment policy that would further limit its investment choices. In general, U.S. government obligations or obligations guaranteed by the U.S. government are not subject to investment credit risk or concentration of credit risk. Please see the table above for credit rating and concentration of credit risk.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the county will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. Although investments are recorded at cost, fair market value of the investments with Hilliard Lyons was \$522,000 as of June 30, 2009. As of June 30, 2009, the fair market value of the investments was not exposed to custodial credit risk.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 925,357	\$ 350,000	\$	\$ 1,275,357
Construction In Progress		837,416		837,416
Total Capital Assets Not Being Depreciated	925,357	1,187,416		2,112,773
Capital Assets, Being Depreciated:				
Buildings	10,221,554	35,000		10,256,554
Other Equipment	1,693,071	362,426	(66,000)	1,989,497
Vehicles and Equipment	1,181,203	84,639		1,265,842
Infrastructure	2,868,780	969,148		3,837,928
Total Capital Assets Being Depreciated	15,964,608	1,451,213	(66,000)	17,349,821
Less Accumulated Depreciation For:				
Buildings	(1,914,771)	(155,449)		(2,070,220)
Other Equipment	(787,999)	(94,174)	46,671	(835,502)
Vehicles and Equipment	(505,484)	(71,127)		(576,611)
Infrastructure	(548,276)	(238,402)		(786,678)
Total Accumulated Depreciation	(3,756,530)	(559,152)	46,671	(4,269,011)
Total Capital Assets, Being Depreciated, Net	12,208,078	892,061	(19,329)	13,080,810
Governmental Activities Capital Assets, Net	<u>\$ 13,133,435</u>	<u>\$ 2,079,477</u>	<u>\$ (19,329)</u>	<u>\$ 15,193,583</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 80,463	\$	\$	\$ 80,463
Total Capital Assets Being Depreciated	80,463			80,463
Less Accumulated Depreciation For:				
Vehicles and Equipment	(32,292)	(5,878)		(38,170)
Total Accumulated Depreciation	(32,292)	(5,878)		(38,170)
Total Capital Assets, Being Depreciated, Net	48,171	(5,878)		42,293
Business-Type Activities Capital Assets, Net	<u>\$ 48,171</u>	<u>\$ (5,878)</u>	<u>\$ 0</u>	<u>\$ 42,293</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 167,648
Protection to Persons and Property	53,739
General Health and Sanitation	19,202
Recreation and Culture	7,205
Roads	<u>311,358</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 559,152</u>

Business-Type Activities

Jail Canteen	<u>\$ 5,878</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 5,878</u>

Capital asset activity for the discretely presented component unit for the year ended June 30, 2009 was as follows:

	Component Unit		
	Beginning Balance	Increases	Ending Balance
Capital Assets, Being Depreciated:			
Other Equipment	\$ 39,857		\$ 39,857
Total Capital Assets Being Depreciated	<u>39,857</u>		<u>39,857</u>
Less Accumulated Depreciation For:			
Other Equipment	<u>(24,878)</u>	<u>(4,014)</u>	<u>(28,892)</u>
Total Accumulated Depreciation	<u>(24,878)</u>	<u>(4,014)</u>	<u>(28,892)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,979</u>	<u>(4,014)</u>	<u>10,965</u>
Capital Assets, Net	<u>\$ 14,979</u>	<u>\$ (4,014)</u>	<u>\$ 10,965</u>

Component Unit

Recreation and Culture	<u>\$ 4,014</u>
Total Depreciation Expense - Component Unit	<u>\$ 4,014</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt

A. General Obligation Bonds, Series 2000

The Fiscal Court issued obligations, dated May 15, 2000 and payable in 20 annual installments beginning May 1, 2001, with semi-annual interest payments at rates ranging from 5.35% to 5.50%. The Fiscal Court issued the bonds for the purpose of financing the cost of constructing a courthouse annex. As of June 30, 2009, bonds outstanding were \$2,245,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 155,000	\$ 122,145
2011	165,000	114,008
2012	170,000	105,345
2013	180,000	96,250
2014	190,000	86,530
2015-2019	1,120,000	264,550
2020	265,000	14,575
Totals	<u>\$ 2,245,000</u>	<u>\$ 803,403</u>

B. Lease Revenue Refunding Bonds, Series 2007

The Barren County Public Properties Corporation entered into a bond issue, Barren County Public Properties Corporation Lease Revenue Refunding Bonds (Court Facility Project), Series 2007 on November 14, 2007 for the purpose of paying the costs associated with the refunding and refinancing of the Series 1998 Bonds. The issue amount of the bonds was \$4,325,000. Interest on the bonds will be payable semi-annually on February 1 and August 1 of each year commencing February 1, 2008. The bonds will mature on February 1 of each year thereafter.

Although the Fiscal Court is obligated to pay the Corporation annual rentals in the full amount of the principal and interest requirements of the bonds for each year the lease agreement is renewed, the Fiscal Court expects to receive payments for the use of the Barren County Courthouse from the Kentucky Judicial Branch, Administrative Office of the Courts (AOC). AOC will pay directly to the trustee a portion of the Fiscal Court's annual rental in the form of a use allowance. The outstanding balance as of June 30, 2009 was \$4,065,000.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

B. Lease Revenue Refunding Bonds, Series 2007 (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 175,000	\$ 154,470
2011	185,000	147,820
2012	185,000	140,790
2013	195,000	133,760
2014	205,000	126,350
2015-2019	1,060,000	509,580
2020-2024	930,000	323,570
2025-2029	1,130,000	131,670
Totals	<u>\$ 4,065,000</u>	<u>\$ 1,668,010</u>

C. Lease Revenue Bonds, Series 2008

The Glasgow/Barren County Public Library Corporation entered into a bond issue, Glasgow/Barren County Public Library Corporation Lease Revenue Bonds (Library Building Renovation Project), Series 2008 on December 18, 2008 for the purpose of paying the costs associated with renovating and equipping the new library building. The issue amount of the bonds was \$1,245,000. Interest on the bonds will be payable semi-annually on June 1 and December 1 of each year commencing June 1, 2009. The bonds will mature on December 1 of each year thereafter.

Although the Fiscal Court and City of Glasgow are obligated to pay the Corporation annual rentals of 90% and 10%, respectively, of the full amount of the principal and interest requirements of the bonds for each year the lease agreement is renewed, the Fiscal Court and City of Glasgow expect to receive payments for the use of the Mary Wood Weldon Memorial Library from the Barren County Library Board. The Barren County Library Board will pay directly to the trustee the annual rental of the Fiscal Court and the City of Glasgow in the form of a use allowance. The outstanding balance as of June 30, 2009 was \$1,245,000.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

C. Lease Revenue Bonds, Series 2008 (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 25,000	\$ 70,075
2011	25,000	69,200
2012	25,000	68,200
2013	30,000	67,100
2014	30,000	65,900
2015-2019	175,000	305,625
2020-2024	225,000	252,131
2025-2029	305,000	174,713
2030-2034	405,000	67,031
Totals	<u>\$ 1,245,000</u>	<u>\$ 1,139,975</u>

D. Resuscitation Equipment (Barren County Lease #8)

On September 27, 2006, Barren County entered into an agreement with Kentucky Association of Counties Leasing Trust for the Purchase of Stretchers. The principal was \$63,644 at a fixed interest rate for a period of 5 years with principal and interest paid monthly. The principal outstanding as of June 30, 2009, is \$29,784. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 13,837	\$ 1,136
2011	14,682	602
2012	1,265	23
Totals	<u>\$ 29,784</u>	<u>\$ 1,761</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

E. Ambulance Refurbish (Barren County Lease #9)

On October 22, 2007, Barren County entered into an agreement with Kentucky Association of Counties Leasing Trust for the Purchase of equipment. The principal was \$23,793 at a fixed interest rate for a period of 3 years with principal and interest paid monthly. The principal outstanding as of June 30, 2009, is \$11,015. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 8,192	\$ 502
2011	2,823	93
Totals	<u>\$ 11,015</u>	<u>\$ 595</u>

F. EMS Building (Barren County Lease #10)

On September 22, 2008, Barren County entered into an agreement with Kentucky Association of Counties Leasing Trust for the construction of an EMS building. The principal was \$500,000 at a variable interest rate for a period of 20 years with principal and interest paid monthly. The principal outstanding as of June 30, 2009, is \$487,244. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 15,964	\$ 18,575
2011	16,414	19,641
2012	17,234	19,320
2013	18,095	18,549
2014	18,999	17,767
2015-2019	110,218	75,681
2020-2024	140,642	49,371
2025-2029	149,678	15,879
Totals	<u>\$ 487,244</u>	<u>\$ 234,783</u>

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 2,395,000	\$	\$ 150,000	\$ 2,245,000	\$ 155,000
Revenue Bonds	4,235,000	1,245,000	170,000	5,310,000	200,000
Financing Obligations	78,468	500,000	50,425	528,043	37,993
Governmental Activities					
Long-term Liabilities	<u>\$ 6,708,468</u>	<u>\$ 1,745,000</u>	<u>\$ 370,425</u>	<u>\$ 8,083,043</u>	<u>\$ 392,993</u>

Note 5. Interest On Long-term Debt

Debt Service on the Statement of Activities includes \$16,991 in interest on financing obligations and \$320,500 in interest on bonds. Operating lease payments are also included in debt service.

Note 6. Employee Retirement System

The fiscal court, and the Barren County Library Board, a discretely presented component unit, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or member is age 65, with a minimum of 60 months service credit.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Employee Retirement System (Continued)

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On September 4, 2002, the Barren County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2009, Barren County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Subsequent Events

A. General Obligation Refunding Bonds, Series 2009

On September 23, 2009, the Barren County Fiscal Court issued General Obligation Refunding Bonds, Series 2009, in the amount of \$2,300,000, payable in eleven annual installments beginning May 1, 2010, with semi-annual interest payments at varying rates from 1% to 3.25%. The proceeds of these bonds will be used to advance refund \$2,090,000 of the General Obligation Bonds, Series 2000. The Fiscal Court plans to call the General Obligation Bonds, Series 2000, on May 1, 2010.

BARREN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Subsequent Events (Continued)

B. General Obligation Bonds, Series 2010A and Series 2010B

On March 18, 2010, the Barren County Fiscal Court issued Taxable General Obligation Bonds (Build America Bonds), Series 2010A, in the amount of \$8,395,000, payable in twenty-nine annual installments beginning April 1, 2012, with semi-annual interest payments at varying rates from 1.6% to 5.75%, and Taxable General Obligation Bonds (Recovery Zone Economic Development Bonds), Series 2010B, in the amount of \$510,000, payable in one installment on April 1, 2040, with semi-annual interest payments at an interest rate of 6.10%. These bonds were issued for the purpose of the acquisition, construction, and equipping of a new Barren County Corrections Center. The Fiscal Court expects to receive Build America Subsidy Payments and Recovery Zone Interest Subsidy Payment from the United States Treasury to cover 35% to 45%, respectively, of the interest payments on these bonds.

Note 10. Prior Period Adjustments

The prior year net asset ending balances and ending fund balances have been restated for the following:

	Business-Type		Non-Major Funds				
	Activities		General		Obligation	Hiseville	Total
	Governmental	& Jail	General	Road	Bond	Cemetery	Non-Major
	Activities	Canteen Fund	Fund	Fund	Fund	Fund	Funds
Beginning Balance	\$ 9,782,357	\$ 110,187	\$ 2,030,858	\$ 231,008	\$	\$ 138,814	\$ 138,814
Capital Assets <i>(net of accumulated depreciation)</i>							
Previously Included by Error	(133,135)						
Fund Was Previously Omitted	501				501		501
Prior Year Error	1,792	2,280				1,792	1,792
Voided Checks	1,059		1,054	7			
Petty Cash at Jail Previously Included in Jail Canteen Fund		(50)					
Rounding	4						
Total Restated Beginning Balance	\$ 9,652,578	\$ 112,417	\$ 2,031,912	\$ 231,015	\$ 501	\$ 140,606	\$ 141,107

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BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,678,000	\$ 3,946,636	\$ 3,906,676	\$ (39,960)
In Lieu Tax Payments	103,500	133,700	122,062	(11,638)
Excess Fees	1,000	1,000		(1,000)
Licenses and Permits	153,100	157,600	124,248	(33,352)
Intergovernmental Revenue	2,425,550	3,213,555	3,138,596	(74,959)
Miscellaneous	57,800	161,090	148,956	(12,134)
Interest	30,500	30,500	21,174	(9,326)
Total Revenues	<u>\$ 6,449,450</u>	<u>\$ 7,644,081</u>	<u>\$ 7,461,712</u>	<u>\$ (182,369)</u>
EXPENDITURES				
General Government	3,002,497	3,243,983	2,941,948	302,035
Protection to Persons and Property	1,114,816	2,005,266	1,800,286	204,980
General Health and Sanitation	692,425	823,059	758,185	64,874
Social Services	83,969	107,352	88,970	18,382
Recreation and Culture	529,700	569,436	562,883	6,553
Debt Service	421,720	448,603	165,233	283,370
Capital Projects		350,000	350,000	
Administration	1,102,800	1,203,534	991,423	212,111
Total Expenditures	<u>\$ 6,947,927</u>	<u>\$ 8,751,233</u>	<u>\$ 7,658,928</u>	<u>\$ 1,092,305</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(498,477)</u>	<u>(1,107,152)</u>	<u>(197,216)</u>	<u>(909,936)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,463,214)	(1,463,214)	(1,148,520)	(314,694)
Borrowed Money		500,000	500,000	
Total Other Financing Sources (Uses)	<u>\$ (1,463,214)</u>	<u>\$ (963,214)</u>	<u>\$ (648,520)</u>	<u>\$ (314,694)</u>
Net Changes in Fund Balance	(1,961,691)	(2,070,366)	(845,736)	(1,224,630)
Fund Balance - Beginning	<u>1,961,691</u>	<u>2,030,858</u>	<u>2,031,912</u>	<u>(1,054)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (39,508)</u>	<u>\$ 1,186,176</u>	<u>\$ (1,225,684)</u>

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,514,521	\$ 1,616,907	\$ 1,597,265	\$ (19,642)
Miscellaneous	100	9,995	10,602	607
Interest	6,000	6,000	2,783	(3,217)
Total Revenues	<u>\$ 1,520,621</u>	<u>\$ 1,632,902</u>	<u>\$ 1,610,650</u>	<u>\$ (22,252)</u>
EXPENDITURES				
Roads	1,867,720	1,925,380	1,604,321	321,059
Administration	236,100	290,721	195,594	95,127
Total Expenditures	<u>\$ 2,103,820</u>	<u>\$ 2,216,101</u>	<u>\$ 1,799,915</u>	<u>\$ 416,186</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(583,199)</u>	<u>(583,199)</u>	<u>(189,265)</u>	<u>(393,934)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	302,279	302,279	18,500	283,779
Total Other Financing Sources (Uses)	<u>\$ 302,279</u>	<u>\$ 302,279</u>	<u>\$ 18,500</u>	<u>\$ 283,779</u>
Net Changes in Fund Balance	(280,920)	(280,920)	(170,765)	(110,155)
Fund Balance - Beginning	<u>280,920</u>	<u>280,920</u>	<u>231,015</u>	<u>49,905</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 60,250</u>	<u>\$ (60,250)</u>

BARREN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 938,000	\$ 964,360	\$ 951,084	\$ (13,276)
Charges for Services	169,000	169,000	153,503	(15,497)
Miscellaneous	145,700	147,100	139,291	(7,809)
Interest	400	400	460	60
Total Revenues	\$ 1,253,100	\$ 1,280,860	\$ 1,244,338	\$ (36,522)
EXPENDITURES				
Protection to Persons and Property	1,589,500	1,618,500	1,420,530	197,970
Debt Service	7,100	7,100	5,449	1,651
Capital Projects	8,000	10,400	3,292	7,108
Administration	513,800	595,835	461,189	134,646
Total Expenditures	\$ 2,118,400	\$ 2,231,835	\$ 1,890,460	\$ 341,375
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(865,300)	(950,975)	(646,122)	(304,853)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(78,235)	(78,235)	(78,235)	
Transfers In	943,535	943,535	750,000	193,535
Total Other Financing Sources (Uses)	\$ 865,300	\$ 865,300	\$ 671,765	\$ 193,535
Net Changes in Fund Balance		(85,675)	25,643	(111,318)
Fund Balance - Beginning		85,675	85,675	
Fund Balance - Ending	\$ 0	\$ 0	\$ 111,318	\$ (111,318)

BARREN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

BARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

BARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	Recreation Department Fund	Federal Drug Forfeiture Fund	Hiseville Cemetery Fund	Work Release Fund
ASSETS					
Cash and Cash Equivalents	\$ 14,698	\$ 9,076	\$ 30,795	\$ 25,892	\$ 396
Investments				116,499	
Total Assets	<u>14,698</u>	<u>9,076</u>	<u>30,795</u>	<u>142,391</u>	<u>396</u>
FUND BALANCES					
Reserved for:					
Encumbrances		745			
Debt Service Requirements					
Unreserved:					
Special Revenue Funds	<u>14,698</u>	<u>8,331</u>	<u>30,795</u>	<u>142,391</u>	<u>396</u>
Total Fund Balances	<u>\$ 14,698</u>	<u>\$ 9,076</u>	<u>\$ 30,795</u>	<u>\$ 142,391</u>	<u>\$ 396</u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009
(Continued)

Federal Technology Grant Fund	General Obligation Bond Fund	Public Properties Corporation	Total Non-Major Governmental Funds
\$	\$ 501	\$ 93,760	\$ 175,118
			116,499
	501	93,760	291,617
			745
	501	93,760	94,261
			196,611
\$	\$	\$	\$ 291,617

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

BARREN COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	Recreation Department Fund	Federal Drug Forfeiture Fund	Hiseville Cemetery Fund	Work Release Fund
REVENUES					
Intergovernmental	\$ 91,572	\$	\$	\$	\$
Charges for Services				9,350	396
Miscellaneous		25,883	6,135	130	
Interest	164	68	188	5,503	
Total Revenues	<u>91,736</u>	<u>25,951</u>	<u>6,323</u>	<u>14,983</u>	<u>396</u>
EXPENDITURES					
General Government					
Protection to Persons and Property			2,251		
Social Services				9,993	
Recreation and Culture		112,984			
Roads	104,178				
Debt Service					
Administration		10,403	4,202	3,205	
Total Expenditures	<u>104,178</u>	<u>123,387</u>	<u>6,453</u>	<u>13,198</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(12,442)</u>	<u>(97,436)</u>	<u>(130)</u>	<u>1,785</u>	<u>396</u>
OTHER FINANCING SOURCES (USES)					
Transfers In		118,500			
Transfers Out		(18,500)			
Total Other Financing Sources (Uses)		<u>100,000</u>			
Net Change in Fund Balances	(12,442)	2,564	(130)	1,785	396
Fund Balances - Beginning (Restated)	27,140	6,512	30,925	140,606	
Fund Balances - Ending	<u>\$ 14,698</u>	<u>\$ 9,076</u>	<u>\$ 30,795</u>	<u>\$ 142,391</u>	<u>\$ 396</u>

The accompanying notes are an integral part of the financial statements.

BARREN COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

Other Supplementary Information

For The Year Ended June 30, 2009

(Continued)

Federal Technology Grant Fund	General Obligation Bond Fund	Public Properties Corporation	Total Non-Major Governmental Funds
\$ 7,768	\$	\$ 253,895	\$ 353,235
			9,746
			32,148
		338	6,261
<u>7,768</u>		<u>254,233</u>	<u>401,390</u>
7,768			7,768
			2,251
			9,993
			112,984
			104,178
	280,020	332,130	612,150
			17,810
<u>7,768</u>	<u>280,020</u>	<u>332,130</u>	<u>867,134</u>
	(280,020)	(77,897)	(465,744)
	280,020	78,235	476,755
			(18,500)
	<u>280,020</u>	<u>78,235</u>	<u>458,255</u>
		338	(7,489)
	501	93,422	299,106
<u>\$</u>	<u>\$ 501</u>	<u>\$ 93,760</u>	<u>\$ 291,617</u>

The accompanying notes are an integral part of the financial statements.

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BARREN COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

BARREN COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Inmate Account	2005 Tax Escrow Fund	2006 Tax Escrow Fund	2007 Tax Escrow Fund	Total Agency Funds
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 2,195	\$ 1,308	\$ 3,223	\$ 1,273	\$ 7,999
Total Assets	<u>2,195</u>	<u>1,308</u>	<u>3,223</u>	<u>1,273</u>	<u>7,999</u>
Liabilities					
Amounts Held in Custody for Others	<u>2,195</u>	<u>1,308</u>	<u>3,223</u>	<u>1,273</u>	<u>7,999</u>
Total Liabilities	<u>\$ 2,195</u>	<u>\$ 1,308</u>	<u>\$ 3,223</u>	<u>\$ 1,273</u>	<u>\$ 7,999</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Davie D. Greer, Barren County Judge/Executive
Members of the Barren County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining funds of Barren County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 4, 2010. Barren County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Barren County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Barren County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Barren County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the following deficiencies described in the accompanying comments and recommendations as items 2009-01, 2009-02, 2009-03, 2009-04, 2009-05, and 2009-06 to be significant deficiencies in internal control over financial reporting.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies listed above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Barren County's financial statements for the year ended June 30, 2009, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Barren County's responses to the findings identified in our audit are included in the comments and recommendations. We did not audit their responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Barren County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accountants

May 4, 2010

BARREN COUNTY
COMMENTS AND RECOMMENDATIONS

For The Year Ended June 30, 2009

BARREN COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

2009-1 The Fiscal Court Lacks An Adequate Segregation Of Duties Over Payroll

As a result of our audit, we noted a lack of segregation of duties exists over the following accounting functions: processing, record-keeping, report preparation, disbursements, and reconciliations of payroll. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions.

The County Treasurer prepares and deposits the receipts, prepares payroll registers, prepares and signs checks, posts to the ledgers, prepares payroll reports from these ledgers, and performs the bank reconciliations.

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, we recommend the fiscal court separate the duties in preparing and depositing receipts, recording transactions, preparing payroll register, preparing and signing checks, and reconciling bank accounts. If any of these duties cannot be segregated due to limited number of staff, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this.

We recommend the following segregation of duties or compensating controls be implemented over payroll to offset this internal control weakness:

- The County Judge/Executive or designee should compare payroll checks to individual earnings records to verify accuracy.
- An independent person should open bank statements and review them for unusual items.
- The independent person should then sign off on the bank statement to verify completion.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy.
- The independent person should then sign off on the bank reconciliations to verify completion.
- Payroll checks should require dual signatures.

County Judge/Executive Davie Greer's Response: The County Treasurer does not prepare deposits, but does make deposits. This will remain the same.

Receipts into the payroll fund are currently received by the Payroll Clerk. The Payroll Clerk notes date of receipt on receipt documentation, records receipt in separate record system from County Treasurer and then places receipt in safe in preparation for receipt by County Treasurer. This procedure will remain in place.

The following segregation of duties or compensating controls shall be integrated into current procedures:

The County Judge Executive or designee shall compare payroll checks to individual earnings records to verify accuracy and sign off to indicate completion, in addition to current procedure of sign off to indicate payroll register review.

BARREN COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:
(Continued)

2009-1 **The Fiscal Court Lacks An Adequate Segregation Of Duties Over Payroll** (Continued)

County Judge/Executive Davie Greer's Response: (Continued)

Payroll bank statements are currently received by, opened by and the date of receipt documented by a person other than the County Treasurer. In addition to current procedure, an independent person shall review the statement for unusual items and sign off on the bank statement to indicate the statement has been reviewed.

An independent person shall complete or review the Treasurer's bank reconciliations for accuracy and sign off to verify completion.

Employee payroll checks shall require dual signatures.

2009-2 **The Fiscal Court Should Improve Procedures Over Capital Assets**

The Fiscal Court should maintain an updated capital asset listing ensuring the listing is updated for all capital asset additions and deletions. The capital asset listing did not include all capital asset additions for fiscal year 2009. In addition, the capital asset listing included assets which had been traded or sold prior to June 30, 2009. We recommend the Fiscal Court develop and implement a system to include additions that meet the capitalization threshold and to remove retirements/disposals of capital assets from the capital asset listing throughout the fiscal year.

County Judge/Executive Davie Greer's Response: Capital asset listing, procedures will be implemented to assure additions and deletions for the listing are made throughout the fiscal year.

BARREN COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:
(Continued)

2009-3 **The Library Board Should Improve Controls Over Reconciliations**

The Library Board should require the financial report to be reconciled to the ledgers and the bank. As a result of our audit, we noted a lack of controls over reconciliations and reporting. Adequate controls would prevent inaccurate financial reporting. The financial report did not include all activity of the Library Board's bank accounts. An employee prepares monthly bank reconciliations but no documentation of monthly bank activity being reconciled to the receipts and disbursements was found. To adequately protect employees in the normal course of performing their assigned functions and to protect the Library Board against inaccurate financial reporting, we recommend the Library Board implement controls over preparing reports and reconciling bank accounts. If any of these duties cannot be segregated due to limited number of staff, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this.

Library Board Treasurer Cindy Greer's Response: Starting July 1, 2009, all records are taken to a local accountant. Financial statements are prepared and all bank accounts are reconciled. Financial statements are presented monthly for library board approval.

2009-4 **The Library Board Should Improve Internal Controls Over Expenditures**

Good internal controls dictate that adequate original supporting documentation should be maintained for all expenditures and approval be obtained before payment. All original invoices should be maintained, cancelled upon payment, and paid within thirty days. In addition, the Library Board should approve all expenditures prior to payment. During testing, we found expenditures without supporting documentation, invoices not cancelled upon payment, and invoices not paid within thirty days. Also we were unable to find the approval of the Library Board for several payments.

Lack of proper accounting practices and internal control increase the risk that misstatements of financial activity and/or fraud will occur and go undetected by the Library Director. Without proper procedures in place to mitigate this risk, the Library Director is exposing public resources to potential misstatements and/or fraud.

We recommend the Library Board maintain all original invoices, cancel all invoices when paid, pay all invoices within thirty days, and document approval of the Library Board for all payments.

Library Board Treasurer Cindy Greer's Response: Starting July 1, 2009, all invoices upon receipt are stamped and initialed by the Director and one other staff member and then filed. Before bills are taken to the accountant, the library director reviews each invoice, attaching any supporting documents and approves for payment by initialing and dating each invoice. The accountant prints the checks according to invoices submitted. The director prepares the checks for signing by the Board Treasurer by attaching each invoice to the appropriate check. Prior to mailing, the Board Treasurer reviews and approves payment of bills by initialing and dating the face of each invoice. All bills are paid in a timely manner. Library Board approval of all expenditures is noted in the monthly board minutes.

BARREN COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2009
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:
(Continued)

2009-5 The Library Board Should Require Time Records For All Employees

KRS 337.320 states, “[e]very employer shall keep a record of : (a) the amount paid each pay period to each employee; (b) the hours worked each day and each week by each employee; and (c) such information as the secretary requires.” In addition, the Fair Labor Standards Act’s recordkeeping regulations, 29 CFR Part 516 require an employer to maintain a list of basic records. Included in this list of basic records is: time and day of week when employee’s work week begins; hours worked each day; and total hours worked each workweek. The Library Board did not comply with this statute or these regulations. During the test of payroll, we observed several employees were not maintaining a record showing the hours worked each day and the total hours worked each week. Timesheets should be kept for payroll verification and as a record of leave time used. The employee and the appropriate supervisor should sign all timesheets. We recommend the Library Board comply with this statute and these regulations by implementing timekeeping policies.

Library Board Treasurer Cindy Greer’s Response: Starting in March, 2010, all employees are required to prepare timesheets. All timesheets are signed by the employee and are approved by the supervisor/director.

2009-6 The Jail Canteen Fund Lacks Adequate Segregation Of Duties

As a result of our audit, we noted a lack of segregation of duties exists over the following accounting functions: receipts and processing, record-keeping, report preparation, and reconciliations. Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions.

The Jailer’s bookkeeper prepares and deposits the receipts, prepares and signs checks, posts to the ledger, prepares reports, and performs the bank reconciliations.

To adequately protect employees in the normal course of performing their assigned functions and to protect the fiscal court against inaccurate financial reporting, we recommend the Jailer separate the duties in preparing and depositing receipts, preparing and signing checks, recording transactions, preparing reports, and reconciling bank accounts. If any of these duties cannot be segregated due to limited number of staff, strong oversight should be provided over the employee responsible. The employee providing the oversight should document this.

County Jailer Matt Mutter’s Response: None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BARREN COUNTY FISCAL COURT

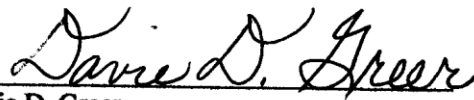
**For The Fiscal Year Ended
June 30, 2009**

Appendix A

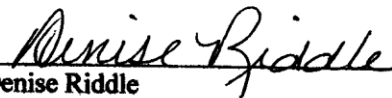
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BARREN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Barren County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Davie D. Greer
County Judge/Executive



Denise Riddle
County Treasurer